MTUBATUBA MUNICIPALITY

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MTUBATUBA MUNICIPALITY

GENERAL INFORMATION

MAYOR	*Councillor*	C Swartz
DEPUTY MAYOR	*Councillor*	CN Banda
SPEAKER	*Councillor*	SS Masuku

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson	*Councillor*	C Swartz
Member	*Councillor*	CN Banda
Member (Ex officio)	*Councillor*	SS Masuku
Member	*Councillor*	MM Davies

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Finance Portfolio	*Councillor*	C Swartz
Corporate Portfolio	*Councillor*	SS Masuku
Community Services Portfolio	*Councillor*	ME Mkhwanazi
Technical Services Portfolio	*Councillor*	CN Banda
LED and Tourism Portfolio	*Councillor*	TT Maphanga

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson	Mr. D. Dlamini
Member	Mr. M. Ntuli

GRADING OF THE LOCAL AUTHORITY: Grade 3

AUDITORS:

Auditor-General South Africa
Redlands Estate, 1
George MacFarlane Lane
Wembley
Pietermaritzburg
3201

BANKERS:

First National Bank
Mtubatuba
3935

REGISTERED OFFICE:

Lot 105 Inkosi Mtubatuba Road
Mtubatuba
3935

MUNICIPAL MANAGER: Dr. EMS Ntombela

CHIEF FINANCIAL OFFICER Mr. NT Dludla

OTHER COUNCIL MEMBERS OF THE MTUBATUBA MUNICIPALITY

Councillor	***Councillor***	***Councillor***	***Councillor***
TT Maphanga	HG Mbhele	ME Mkhwanazi	JJ Combrinck
VM Ncube	TM Mbuyazi		

MTUBATUBA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2009

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 75, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Dr. EMS Ntombela
Municipal Manager

Date

MTUBATUBA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 Restated R
NET ASSETS AND LIABILITIES			
Net assets		**27 180 939**	**29 195 230**
Housing Development Fund	**2**	1 208 336	1 142 458
Accumulated Surplus	**3**	25 972 603	28 052 772
Non-current liabilities		**5 297 650**	**5 642 311**
Long-term liabilities	**4**	2 732 796	3 015 084
Provision for post- retirement medical aid benefits	**5**	1 697 625	1 515 586
Finance lease liability	**9**	867 229	1 111 641
Current liabilities		**16 605 711**	**7 994 528**
Provisions	**6**	785 141	519 137
Creditors	**7**	4 657 226	3 081 071
Unspent conditional grants and receipts	**8.**	8 903 084	3 719 352
Finance lease liability	**9.**	244 410	210 923
Bank overdraft	**30**	1 730 688	299 212
Current portion of long-term liabilities	**4/9**	285 162	164 833
Total Net Assets and Liabilities		**49 084 300**	**42 832 069**
ASSETS			
Non-current assets		**31 056 337**	**29 215 189**
Property, plant and equipment	**10**	31 056 337	29 215 189
Current assets		**18 027 963**	**13 616 880**
Consumer debtors	**11**	11 150 156	10 092 919
Other debtors	**12**	319 243	163 530
VAT	**13**	3 071 828	1 637 252
Call Investment Deposits	**14**	2 274 389	579 722
Cash and cash equivalents	**30/14**	1 212 347	1 143 457
Total Assets		**49 084 300**	**42 832 069**

MTUBATUBA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 Restated R
REVENUE			
Property rates	**15**	12 070 599	9 293 537
Service charges	**16**	3 388 927	2 781 327
Interest earned - cash deposits	**17**	240 486	474 023
Interest earned - outstanding debtors	**17**	143 975	-
Rental of facilities and equipment	**18**	276 059	173 708
Fines		243 145	140 400
Licences and permits		1 893 676	1 711 295
Government grants and subsidies	**19**	12 016 150	6 645 123
Other revenue	**20**	341 843	4 657 602
Other income:			
Gains on disposal of property, plant and equipment		85 051	-
Total Income		**30 699 911**	**25 877 015**
EXPENDITURE			
Employee related costs	**21**	14 645 435	12 197 309
Remuneration of Councillors	**22**	1 830 696	1 528 144
Depreciation and Amortisation	**23**	435 928	172 398
Repairs and maintenance		2 872 687	2 208 456
Interest paid	**24**	482 786	97 978
Contracted services		1 905 558	3 557 177
Grants and subsidies paid	**25**	1 028 250	-
General expenses	**26**	9 624 336	9 764 538
Total Expenditure		**32 825 676**	**29 526 000**
DEFICIT FOR THE YEAR		**(2 125 765)**	**(3 648 985)**

Refer to Appendix E (1) for explanation of variances

MTUBATUBA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2009

	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2007	1 852 762	31 587 097	33 439 859
Restatement (see notes)	(710 304)	114 661	(595 643)
Restated balance	**1 142 458**	**31 701 758**	**32 844 216**
Restated Surplus/(deficit) for the year		(3 648 985)	(3 648 985)
Balance at 30 June 2008	**1 142 458**	**28 052 772**	**29 195 232**
Surplus/(deficit) for the year	65 878	(2 125 765)	(2 059 887)
Balance at 30 June 2009	**1 208 336**	**25 972 603**	**27 135 345**

Detail on the movement of funds and reserves is set out in notes 2 and 3.

MTUBATUBA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		34 201 181	25 912 643
Cash paid to suppliers and employees		(31 409 170)	(26 415 225)
Cash generated from operations	**29**	**2 792 011**	**(502 582)**
Interest received		384 461	474 023
Interest paid		(482 786)	(97 978)
NET CASH FROM OPERATING ACTIVITIES		**2 693 686**	**(126 537)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**10**	(2 284 702)	(8 491 073)
Call Investment Deposits		(1 694 667)	5 285 469
Proceeds on disposal of PPE		85 056	-
NET CASH FROM INVESTING ACTIVITIES		**(3 894 313)**	**(3 205 604)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		-	3 005 000
Loans repaid		(161 958)	(312 688)
NET CASH FROM FINANCING ACTIVITIES		**(161 958)**	**2 692 312**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1 362 585)**	**(639 829)**
		(1 362 585)	**(639 829)**
Cash and cash equivalents at the beginning of the year		844 244	1 484 073
Cash and cash equivalents at the end of the year	**30**	(518 341)	844 244

MTUBATUBA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise

The Annual Financial Statements have been prepared in accordance with the Accounting Standards (GRAP) and principles contained in Directives 4 issued by the ASB in March 2009.

The Accounting Framework of the municipality, based on the preceding paragraphs is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

MTUBATUBA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. BASIS OF PRESENTATION (continued)

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2008 the municipality complied with the three effective GRAP standards, the eight effective GAMAP standards, all relevant GAAP Standards and all relevant exemptions as set out in Government Gazette 30013, as at that date. For the year ended 30 June 2009 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions. on the performance or cash flow.

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2.1. Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above) . In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.* 2.2. *Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management.

1.* 2.3. *Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement* . The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

1. 2.4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 & 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

MTUBATUBA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1 2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgements are made relating to PPE impairment tests and write down of Inventories to Net realisable Values.

1. 2.6. Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 to the Annual Financial Statements.

1 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

See note 46 for more detail.

2 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

MTUBATUBA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

3 PROPERTY, PLANT AND EQUIPMENT

3 .1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3 .2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, except for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Infrastructure assets are subsequently carried at a revalued amount, based on periodic valuations by external independent valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are done every three to five years when necessary. Any accumulated depreciation at the date of revaluation are eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. An increase in the carrying amount of an asset as a result of a revalutation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.Increases in the carrying amount of assets arising on revaluation are credited directly to a revaluation surplus. However the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Decreases in the carrying amount arising on revaluation are recognised directly in surplus or deficit. However the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset’s original cost is transferred from revaluation surplus to accumulated surplus or deficit.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

MTUBATUBA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

3 PROPERTY, PLANT AND EQUIPMENT (continued)

3 .3 Depreciation

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		**Years**
Infrastructure		***Other***	
Roads and Paving	15 - 20	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	5 - 20
Electricity	20 - 30	Other Vehicles	5 - 10
Water	15 - 20	Office Equipment	3 - 7
Sewerage	15 - 20	Furniture and Fittings	7 - 10
Housing	30	Watercraft	15
Landfill Sites	15	Bins and Containers	5
		Specialised Plant and Equipment	10 - 15
Community		Other items of Plant and Equipment	2 - 5
Improvements	30		
Recreational Facilities	20 - 30		
Security	5		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3 .4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3 .5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3 .6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

3 .7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3 .8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

MTUBATUBA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

3 PROPERTY, PLANT AND EQUIPMENT (continued)

3 .9.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

.9.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3 .10 Transitional Provisions

The estimated useful lives and the depreciation methods were not reviewed in the previous financial year as required by GAMAP 17 as these requirements were exempted in terms of General Notice 522 of 2007. The estimated useful lives and depreciation methods have also not been reviewed for the year ended 30 June 2009 in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

The municipality did not perform impairment testing on its cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of cash generating assets has also not been performed for the year ended 30 June 2009 in accordance with the requirements of IAS 36/AC128 and GRAP 3 and Directive 4.

The municipality did not perform impairment testing on its non-cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of non-cash generating assets has also not been performed for the year ended 30 June 2009 in accordance with the requirements of IPSAS 21 and Directive 4.

4. INTANGIBLE ASSETS

4. .1 Initial Recognition

Identifiable non–monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitilised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

– it is technically feasible to complete the intangible asset so that it will be available for use;
– management intends to complete the intangible asset and use or sell it;
– there is an ability to use or sell the intangible asset;
– it can be demonstrated how the intangible asset will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
– the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up

4. .2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in acounting estimate in the Statement of Financial Performance.

4. .3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. .4 Transitional Provisions

Costs incurred on intangible assets were expensed and not capitalised in the previous financial year as required by IAS 38 as this requirement was exempted in terms of General Notice 522 of 2007. Accounted for all costs incurred that meet the intangible asset definition and recognition requirements as intangible assets for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities* .

5 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors (see note 38.1, 38.2, 38.5, 38.6)
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Available for sale investments
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

5 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 38.1, 38.2, 38.5, 38.6)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities* , the classification determining how they are measured. Financial liabilities may be measured at:

(i) Fair value through profit or loss; or
(ii) Other financial liabilities.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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5 FINANCIAL INSTRUMENTS (continued)

5 2 Financial Liabilities - Classification (continued)

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as "Other financial liabilities".

5 3 Initial and Subsequent Measurement

Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Fair Value* and *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

5 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

FINANCIAL INSTRUMENTS (continued)

5 4 Impairment of Financial Assets (continued)

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

5 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

5 7 Transitional Provisions

Financial Assets and Liabilities and the information relating thereto were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of the new IAS 32 and IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Financial Assets and Liabilities and the information relating thereto are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of the new version of IAS 32 and IFRS 7 and GRAP 3.

Financial instruments were initially measured at cost and not at fair value in the previous financial year as required by IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 as this requirement was exempted in terms of General Notice 522 of 2007. Financial instruments are now initially measured at fair value for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 39.43, IAS 39 AG.64, IAS 39 AG.65, IAS 39 AG.79, SAICA Circular 9 and GRAP 3.

6. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 38 to the annual financial statements.

Risk management of Financial Assets and Liabilities were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Risk management of Financial Assets and Liabilities are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IFRS 7 and GRAP 3.

6. .3 Transitional Provisions

Accounted for the disposal of Non-current assets and Disposal Groups in the previous financial year in accordance with the requirements of GAMAP 17, IAS 38, IAS 40 or IAS 41, as appropriate, and not in accordance with the requirements of IFRS 5 as these requirements were exempted in terms of General Notice 522 of 2007. Accounted for the disposal of Non-current assets and Disposal Groups for the year ended 30 June 2009 (and not retrospectively) in accordance with the requirements of GRAP 100 and ASB Directive 3.

7 REVENUE RECOGNITION

7. 1 General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

7 2 Revenue from Exchange Transactions

7 2. 1 Service Charges

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

7 2. 2 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

7 2. 3 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

7 2. 4 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

7 2. 5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

7 2. 6 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

7. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

7 3 Revenue from Non-exchange Transactions

7 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

7 3. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

7 3. 3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

7 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

7 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

8. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20.24 and .26, GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – .46, as appropriate, and not in accordance with the requirements of the entire IAS 20 as these requirements, other than IAS 20.24 and .26, were exempted in terms of General Notice 522 of 2007. Accounted for government grants and receipts for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GAMAP 9.42 - .46 and ASB Directives 4.

9. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

10. EMPLOYEE BENEFITS

10. 1 *Short-term Employee Benefits*

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10. 2 *Defined Benefit Plans*

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

10. 2. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10. 2. 2 Exemption regarding defined benefit accounting in previous financial year

Although defined benefit accounting in accordance with the requirements of IAS 19, as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information, has been exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality defined benefit accounting of its defined benefit plans in the previous financial year. Continued to apply defined benefit accounting to the defined benefit plans for the financial year ended 30 June 2009 in accordance with the requirements of IAS 19.

10. 2. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 50 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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11. LEASES

11. 1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11. 2 Transitional Provisions

Although the recognition of operating lease payments / receipts on a straight-line basis in accordance with the requirements of IAS 17 has been exempted in the previous financial year in terms of General Notice 522 of 2007 (provided that the municipality recognised the lease amounts on the basis of the cash flows in the lease agreement), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the recognition of operating lease payments / receipts on a straight-line basis in the previous financial year. Continued to recognise operating lease payments / receipts on a straight-line basis for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 13 and ASB Directive 4.

12 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

13. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 29 for details of changes in accounting policies.

Although the retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the retrospective application, where practicable, of changes in accounting policies affected by management in the previous financial year. Continued to apply changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 40 to the Annual Financial Statements for details of corrections of errors recorded during the period under review,

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. Continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

18. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

19. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

20. COMPARATIVE INFORMATION

20. 1 *Prior year comparatives*

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

21. FUNDS AND RESERVES

21. 1 All funds are recorded as part of accumulated profit, apart from the housing development fund described in note 2.
The accumulated surplus is seperated into separate funds (see note 3 to the AFS) that indicates the specific future use of the fund.
Funds designated to these separate funds should be used only for the designated future use.

22 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R

1. GENERAL INFORMATION

The municipality is a local government institution in Mtubatuba, KwaZulu-Natal. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2. HOUSING DEVELOPMENT FUND

	2009 R	2008 R
Balance at beginning of the year	1 142 458	1 076 003
Interest Received	65 878	66 455
Total Housing Development Fund	1 208 336	1 142 458

Analysis of the composition of the Housing Development Fund:

	2009 R	2008 R
Housing Development Fund	**1 208 336**	**1 142 458**
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	1 208 336	1 142 458

The Housing Development Fund is represented by the following assets and liabilities

	2009 R	2008 R
Bank and cash	1 208 336	1 142 458
Total Housing Development Fund Assets and Liabilities	**1 208 336**	**1 142 458**

The Housing Development Fund contain all proceeds from housing developments and interest on the investment of these monies. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. ACCUMULATED SURPLUS

The following internal funds and reserves are ring-fenced within the Accumulated Surplus.

	2009 R	2008 R
Capitalisation reserve	18 369 574	18 369 574
Accumulated surplus/(deficit) due to the results of operations	4 002 259	6 082 428
Government Grant Reserve	3 600 770	3 600 770
Total Accumulated Surplus	**25 972 603**	**28 052 772**

The Capital Replacement Reserve is a reserve to finance future capital expenditure.

The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation reserves ensures consumer equity and is not backed by cash.

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
4. LONG- TERM LIABILITIES		**Restated**
Annuity Loans	3 017 958	3 179 917
Capitalised Lease Liability (refer to note 9).	1 111 641	1 322 564
Sub-total	**4 129 599**	**4 502 481**
Less : Current portion transferred to current liabilities	**529 572**	**375 756**
Annuity Loans	285 162	164 833
Capitalised Lease Liability	244 410	210 923
Total: Long-term Liabilities (Neither past due nor impaired)	**3 600 027**	**4 126 725**

Summary of arrangements

Annuity Loans are repaid over periods varying from two to ten years (2008: 3 years), and at interest rates varying from 12 % to 14.50 % (2008: 12 % to 14.50 %). Annuity Loans are not secured.

For detail of leasing arrangements regarding capitalised finance lease liabilities refer to note 9

Management of the municipality is of the opinion that the carrying value of Long- Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix A for more detail on long- term liabilities.

	2009	2008
5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY		
Post-Employment Health Care Benefit Liability	1 757 265	1 568 830
Total: Post Retirement Medical Aid Benefit Liability	**1 757 265**	**1 568 830**
Less: Transfer to Current Provisions	(59 640)	(53 244)
Net Post-Employment Health Care Benefit Liability	**1 697 625**	**1 515 586**

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as a 30 June 2009 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2009	2008
- In-service members	45	51
- Continuation members	4	4
Total	**49**	**55**

The liability in respect of past service has been estimated to be as follows:

	2009	2008
- In-service members	630 868	1 568 830
- Continuation members	1 126 397	
	1 757 265	**1 568 830**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- KeyHealth
- La Health

5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY (Continued)

	2009 R	2008 R

The future service cost for the ensuing year is established to be R 123,691, whereas the interest-cost for the next year is estimated to be R 157,728 (2008: R 107,911 and R 166,597 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009	2008
Discount rate	9.13 %	8.30 %
Health Care Cost Inflation Rate	7.80 %	6.72 %
Net Effective Discount Rate	1.24 %	1.48 %
Expected Retirement Age - Females	65	65
Expected Retirement Age - Males	65	65

The amounts recognised in the Statement of Financial Position are as follows:

	2009	2008
Present value of fund obligations	1 757 265	1 568 830
Fair value of plan assets	-	-
Unfunded accrued liability	**1 757 265**	**1 568 830**
Unrecognised past service cost	-	-
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	-	-
Benefit Liability	**1 757 265**	**1 568 830**

The amount recognised in the Statement of Financial Performance are as follows:

	2009	2008
Current service cost	107 911	81 485
Interest cost	166 597	108 674
Total included in Employee Related Costs	**274 508**	**190 159**

The movement in the defined benefit obligation over the year is as follows:

	2009	2008
Balance at beginning of year	1 568 803	1 333 160
Current service cost	107 911	81 485
Interest cost	166 597	108 647
Expected employer benefits	(45 869)	(49 776)
Actuarial (gain)/loss on the obligation	(40 204)	95 287
Balance at end of year	**1 757 238**	**1 568 803**

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

Increase

	2009	2008
Effect on the aggregate of the current service cost and the interest cost	331 500	
Effect on the defined benefit obligation	2 088 738	1 568 803

Decrease

	2009	2008
Effect on the aggregate of the current service cost and the interest cost	229 500	
Effect on the defined benefit obligation	1 986 738	1 568 803

5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY (Continued)

The municipality expects to make a contribution of R 59,640 (2008: R 53,244) to the defined benefit plans during the next financial year.

6. PROVISIONS

Current portion of Post-Employment Health Care Benefits (see note 5)	59 640	53 244
Performance Bonus provision	525 501	265 893
Landfill provision	200 000	200 000
Total Provisions	**785 141**	**519 137**
	L	

Provision of performance bonus is based on a maximum of 12% of current remuneration of each Section 57 employee

The municipality will reassess the provision for landfill in the next financial year (2009/2010)

The movement in current provisions are reconciled as follows:

	Post-Employment Health Care Benefits	Perfomance Bonus	Current portion of Landfill Provision
30 June 2009			
Balance at beginning of year	(45 869)	265 892	200 000
Transfer from non-current	59 640		
Contributions to provision	45 869	534 252	-
Expenditure incurred	-	(265 892)	
Balance at end of year	**59 640**	**534 252**	**200 000**

	Post-Employment Health Care Benefits	Perfomance Bonus	Current portion of Landfill Provision
30 June 2008			
Balance at beginning of year	49 776	135 345	-
Transfer from non-current	53 244		
Contributions to provision	(49 776)	130 547	200 000
Expenditure incurred			
Balance at end of year	**53 244**	**265 892**	**200 000**

	2009 R	2008 Restated R
7. CREDITORS		
Trade creditors	1 421 503	139 898
Payments received in advance	907 928	1 050 776
Retentions	57 713	230 114
Staff leave	1 203 834	995 678
Other creditors	1 066 247	664 605
Total Creditors	**4 657 226**	**3 081 071**

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The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Retentions refer to construction contracts.

	2009 R	2008 Restated R
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
	8 903 084	**3 719 352**
DISASTER CLAIM LOW COST	150 000	150 000
M.A.P. CONTROL	-	-
I.D.P. REVIEW	61 761	154 660
P.M.S.	188 089	392 991
LUMS	103 439	257 000
G.I.S	-	70 000
FINANCE MANAGEMENT {FMG}	1 031 891	655 749
LIBRARY SERVICE GRANT	-	139 561
E LEARNING	-	15 945
PROPERTY RATES ACT	-	298 153
M.F.M.A. 45000+100000	-	145 000
MSIG WARD COMMITEES	142 750	-
MUN.DEVELOPMENT PLANNING CAPACITY	27 915	100 000
UMKHANYAKUDE WATER/ESCOM	423 524	432 100
MUNICIPAL INFRUSTR.GRANT	3 734 508	-
GIJIMA KWA ZULU NATAL IMPLIMENTATION PLAN	9 464	25 056
GIJIMA KZN TOURISM STRATEGY	-	7 180
MSIG MUNICIPAL SUPPORT	55 148	734 000
MTB LIBRARY COMP.ASSIST	(25 405)	141 957
CORRIDOR DEV. FUNDING	3 000 000	-
DBSA {NOW SUSPENSE ACC}	-	-
Total Conditional Grants and Receipts	**8 903 084**	**3 719 352**

See Note 20 for reconciliation of grants by other spheres of government.

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

9. FINANCE LEASE PAYABLES

The Municipality as lessee
Leasing arrangements:

Capitalised Lease Liabilities relate to office equipment and vehicles with lease terms of five years (2008: five years). The effective interest rate on finance leases is between 13.00 % and 14.50 % (2007:13.00 % and 14.50 %). Capitalised lease liabilities are secured over the items leased.

The obligations under finance leases are scheduled below:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2009	**2008**	**2009**	**2008**
	R	**R**	**R**	**R**
Amounts payable under finance leases				
Within one year	386 805	388 871	244 410	210 925
1 to 5 years	1 048 164	1 434 968	867 229	1 111 639
More than 5 years				
	1 434 969	**1 823 839**	**1 111 639**	**1 322 564**
Less: Future finance charges	(323 328)	(501 276)	-	-
Present Value of Lease obligations (see note 4)	**1 111 641**	**1 322 563**	**1 111 639**	**1 322 564**
Less amounts due for settlement within 12 months (current portion)			(244 410)	(210 923)
Amounts due for settlement after 12 months (non-current)			**867 229**	**1 111 641**

The management of the municipality is of the opinion that the carrying value of Finance Leases approximate their fair values.

The municipality has finance lease agreements for the following significant classes of assets:
- Office Equipment
- Motor Vehicles

Included in these classes are the following significant leases:

(i) ***Photo copiers***

- Instalments are payable monthly in advance	
- Average period outstanding	44 Months
- Average effective interest rate	14.50 %
- Average monthly instalment	2 144

(ii) ***Motor Vehicles***

- Instalments are payable monthly in advance	
- Average period outstanding	44 Months
- Average effective interest rate	13.00 %
- Average monthly instalment	3 365

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	R	R

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2009

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Total carried forward
	R	R	R	R	R
Carrying values at 1 July 2008	**21 220 498**	**1 265 955**	**2 024 178**	**875 001**	**25 385 632**
Cost	21 220 498	1 265 955	2 024 178	875 001	25 385 632
Correction of error	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	**-**	**-**	**-**	**-**	**-**
- Cost	-	-	-	-	-
- Correction of error	-	-	-	-	-
- Revaluation	-	-	-	-	-
Acquisitions	379 021	1 632 582	45 311	-	2 056 914
Reallocation	(1 200 583)	2 993 158	20 143	-	1 812 719
Borrowing Costs Capitalised	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-
Depreciation	**-**	**-**	**-**	**-**	**-**
- based on cost	-	-	-	-	-
- based on revaluation	-	-	-	-	-
Carrying value of disposals	**-**	**-**	**-**	**-**	**-**
Cost/revaluation	-	-	-	-	-
Accumulated depreciation	-		-	-	-
Impairment losses	-	-	-	-	-
Transferred to disposal group classified as held for sale	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2009	**20 398 936**	**5 891 695**	**2 089 633**	**875 001**	**29 255 265**
Cost	20 398 936	5 922 798	2 089 633	875 001	29 286 368
Correction of error	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	**-**	**(31 103)**	**-**	**-**	**(31 103)**
- Cost	-	(31 103)	-	-	(31 103)
- Correction of error	-	-	-	-	-
- Revaluation	-	-	-	-	-

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

10. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2009

Reconciliation of Carrying Value	Total brought forward	Other	Housing Development Fund	Leased Assets	Total
	R	R	R	R	R
Carrying values at 1 July 2008	**25 385 632**	**2 660 754**	**-**	**1 168 803**	**29 215 189**
Cost	25 385 632	2 781 994	-	1 219 961	29 387 587
Correction of error	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	**-**	**(121 240)**	**-**	**(51 158)**	**(172 398)**
- Cost	-	(121 240)	-	(51 158)	(172 398)
- Correction of error	-	-	-	-	-
- Revaluation	-	-	-	-	-
Acquisitions	2 056 914	227 788	-	-	2 284 702
Reallocation	1 812 719	(1 822 723)	-	-	(10 004)
Borrowing Costs Capitalised	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-
Depreciation	**-**	**(189 552)**	**-**	**(243 991)**	**(433 543)**
- based on cost	-	(189 552)	-	(243 991)	(433 544)
- based on revaluation	-	-	-	-	-
Carrying value of disposals	**-**	**-**	**-**	**-**	**-**
Cost/revaluation	-		-	-	-
Accumulated depreciation			-	-	-
Impairment losses	-	-	-	-	-
Transferred to disposal group classified as held for sale	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2009	**29 255 265**	**876 267**	**-**	**924 811**	**31 056 343**
Cost	29 286 368	1 155 955	-	1 219 960	31 662 283
Correction of error	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	**(31 103)**	**(279 688)**	**-**	**(295 149)**	**(605 940)**
- Cost	(31 103)	(279 688)	-	(295 149)	(605 940)
- Correction of error	-	-	-	-	-
- Revaluation	-	-	-	-	-

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
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10. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Total carried forward
	R	R	R	R	R
Carrying values at 1 July 2007	**17 448 500**	**-**	**1 089 826**	**875 001**	**19 413 327**
Cost	17 448 500	-	1 306 979	875 001	19 630 480
Correction of error	-	-	(217 153)	-	(217 153)
Revaluation	-	-	-	-	-
Accumulated depreciation	**-**	**-**	**-**	**-**	**-**
- Cost	-	-	-	-	-
- Correction of error	-	-	-	-	-
- Revaluation	-	-	-	-	-
Acquisitions	3 771 998	1 265 955	934 352	-	5 972 305
Reallocation	-			-	-
Increases/decreases in revaluation	-	-	-	-	-
Depreciation	**-**	**-**	**-**	**-**	**-**
- based on cost	-	-	-	-	-
- based on revaluation	-	-	-	-	-
Carrying value of disposals	**-**	**-**	**-**	**-**	**-**
Cost/revaluation	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2008	**21 220 498**	**1 265 955**	**2 024 178**	**875 001**	**25 385 632**
Cost	21 220 498	1 265 955	2 024 178	875 001	25 385 632
Correction of error	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	**-**	**-**	**-**	**-**	**-**
- Cost	-	-	-	-	-
- Correction of error	-	-	-	-	-
- Revaluation	-	-	-	-	-

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2008

Reconciliation of Carrying Value	Total brought forward	Other	Housing Development Fund	Leased Assets	Total
	R	R	R	R	R
Carrying values at 1 July 2007	**19 413 327**	**263 608**	**-**	**-**	**19 676 935**
Cost	19 630 480	46 455	-	-	19 676 935
Reallocation	(217 153)	217 153	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	**-**	**-**	**-**	**-**	**-**
- Cost	-		-		-
- Correction of error	-	-	-	-	-
- Revaluation	-	-	-	-	-
Acquisitions	5 972 305	2 518 768	-	1 219 961	9 711 034
Reallocation	-		-	-	-
Increases/decreases in revaluation	-		-	-	-
Depreciation	**-**	**(121 240)**	**-**	**(51 158)**	**(172 398)**
- based on cost	-	(121 240)	-	(51 158)	(172 398)
- based on revaluation	-	-	-	-	-
Carrying value of disposals	**-**	**(382)**	**-**	**-**	**(382)**
Cost/revaluation	-		-	-	-
Accumulated depreciation	-	(382)	-	-	(382)
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2008	**25 385 632**	**2 660 754**	**-**	**1 168 803**	**29 215 189**
Cost	25 385 632	2 781 994	-	1 219 961	29 387 587
Correction of error	-	-	-		-
Revaluation	-	-	-	-	-
Accumulated depreciation	**-**	**(121 240)**	**-**	**(51 158)**	**(172 398)**
- Cost	-	(121 240)		(51 158)	(172 398)
- Correction of error	-	-	-		-
- Revaluation	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

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NOTES TO THE FINANCIAL STATEMENTS
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11. CONSUMER DEBTORS

As at 30 June 2009	**Gross Balances**	**Collective Provision for Impairment**	**Net Balances**
Service debtors	**25 248 906**	**14 098 750**	**11 150 156**
Rates	20 874 550	11 858 184	9 016 366
Electricity	-		-
Security	566 347	310 810	255 537
Sewerage	-		-
Refuse Removal	3 808 009	1 929 756	1 878 253
Total	**25 248 906**	**14 098 750**	**11 150 156**

As at 30 June 2008 Restated	**Gross Balances**	**Collective Provision for Impairment**	**Net Balances**
Service debtors	**24 089 429**	**13 996 510**	**10 092 919**
Rates	20 225 354	11 755 944	8 469 410
Special ratings area	516 565	310 810	205 755
Sewerage	-		-
Refuse Removal	3 347 510	1 929 756	1 417 754
Total	**24 089 429**	**13 996 510**	**10 092 919**

The average credit period for consumer debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the consumer debtors.

Management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.
The fair value of Consumer Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipalities consumer debtors.

	2009 **R**	**2008** **R**
11.1 Ageing of Consumer Debtors		
Rates: Ageing		
Current (0 - 30 days)	68 696	453 701
Past Due		
31 - 60 Days	875 473	362 991
61 - 90 Days	390 702	332 346
91 - 120 Days	332 044	297 549
121 and more	18 355 390	17 904 030
Total	**20 022 305**	**19 350 617**
Refuse Removal: Ageing		
Current (0 - 30 days)	88 349	86 480
Past Due		
31 - 60 Days	109 885	84 060
61 - 90 Days	89 197	75 546
91 - 120 Days	78 370	64 835
121 and more	3 389 544	2 865 512
Total	**3 755 345**	**3 176 433**
Special rates area: Ageing		
Current (0 - 30 days)	87 293	121 777
Past Due		
31 - 60 Days	46 859	36 766
61 - 90 Days	32 579	30 464
91 - 120 Days	27 302	21 501
121 and more	369 296	301 095
Total	**563 328**	**511 603**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

11. CONSUMER DEBTORS (continued)

11.2 Summary of Debtors by Customer Classification

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
30th June 2009			
Current (0 - 30 days)	52 488	641 410	(118 375)
Past Due			
31 - 60 Days	696 952	303 779	32 013
61 - 90 Days	613 778	198 243	31 459
91 and more	19 148 638	2 462 388	1 186 134
	-		
Sub-total	**20 511 856**	**3 605 820**	**1 131 230**
Less: Collective Provision for Impairment	(11 858 184)	(2 240 566)	
Total debtors by customer classification	**8 653 672**	**1 365 254**	**1 131 230**

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
30th June 2008			
Current (0 - 30 days)	44 531	544 174	73 176
Past Due			
31 - 60 Days	591 296	257 727	73 176
61 - 90 Days	520 731	168 190	73 176
91 and more	16 245 764	2 089 098	2 357 614
Sub-total	**17 402 322**	**3 059 189**	**2 577 142**
Less: Collective Provision for Impairment	(10 572 310)	(1 858 527)	(1 565 673)
Total debtors by customer classification	**6 830 012**	**1 200 662**	**1 011 469**

Reconciliation of Collective Provision for Impairment on Consumer debtors

Balance at beginning of the year	13 996 510	10 500 526
Contributions to provision	102 240	3 495 984
Bad debts written off against provision	-	-
Balance at end of year	**14 098 750**	**13 996 510**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

12. OTHER DEBTORS	**2009** R	**2008** **Restated** R
Eskom Deposit	75 422	74 022
Fuel Deposit	27 000	22 000
Wesbank	65 165	-
Sundry debtors	151 656	67 507
Total Other Debtors	**319 243**	**163 529**

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The claims instituted against the municipality's insurance company are supported by valid insurance claims that are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management have no concerns over the credit quality of these assets

The average credit period for other debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the other debtors.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other sundry debtors. The payment ratios of other debtors were also taken into account for fair value determination.

The total amount of the provision for impairment created is R 13,996,511 and the following loans and receivables are included therein:

	2009 R	**2008** R
Consumer Debtors	14 098 750	13 996 510
Sundry Debtors	-	-
Total Allowance for Doubtful Debts on Other Debtors	**14 098 750**	**13 996 510**

	2009	2008
		Restated
	R	R
13. VAT		
VAT receivable	**3 071 828**	**1 637 251**

Comparative year has been restated due to the correction of an error (refer to note 29)

VAT is payable on the receipts basis. Only once payment has been received from debtors is VAT paid over to SARS.

14. BANK, CASH AND OVERDRAFT BALANCES AND CALL DEPOSITS		2009	2008
			Restated
The following call deposits are held:		R	R
Investment	620 32346 703	1 971 892	286 968
Money Market	621 22552 856	110 898	101 154
Eskom	710 4402 5057	191 600	191 600
		2 274 389	**579 722**

The Municipality has the following bank accounts: -

PRIMARY BANK ACCOUNT

Current Account (Primary Bank Account)

First National Bank - Mtubatuba. Acount number 53093735184

	2009	2008
Bank statement balance at beginning of year	**1 090 515**	**1 128 462**
Bank statement balance at end of year	**(1 727 416)**	**1 090 515**

Current Account (Mtubatuba Low cost housing)

First National Bank - Mtubatuba. Account Number 62050462606

	2009	2008
Bank statement balance at beginning of year	**588 794**	**449 880**
Bank statement balance at end of year	**641 247**	**588 794**

Current Account (Dukuduku Low cost housing)

First National Bank - Mtubatuba. Account Number 62050465858

	2009	2008
Bank statement balance at beginning of year	**553 663**	**626 123**
Bank statement balance at end of year	**561 021**	**553 663**

Summary

	2009	2008
Cash book balance at beginning of year	**843 245**	**1 483 074**
Cash book balance at end of year	**(528 420)**	**843 245**
Bank statement balance at beginning of year	**2 232 972**	**2 204 465**
Bank statement balance at end of year	**(525 148)**	**2 232 972**

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.00 % to 9.00 % per annum.

Interest on overdrawn current accounts is charged at prime less 0.5 % per annum and earn interest at different rates per annum on favourable balances.

Management of the municipality is of the opinion that the carrying value of Bank Balances and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balances and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
15. PROPERTY RATES		
Income		
Actual		
Residential, Commercial, Industrial, Rural and Other	12 070 599	9 293 537
Total Assessment Rates	**12 070 599**	**9 293 537**
Valuations		
	July 2009	**July 2008**
Actual		
Residential, Commercial, Industrial, Rural and Other	152 093 100	152 093 100
Total Valuations	**152 093 100**	**152 093 100**

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

The last valuation came into effect on 1 July 2003. A general valuation, which will be applied with effect 1 July 2009, is currently performed.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable the last of day of the month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

	2009 R	2008 R
16. SERVICE CHARGES REVENUE		
Refuse removal	2 418 143	1 939 384
Special rates	970 784	841 943
Total Service Charges	**3 388 927**	**2 781 327**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

	2009 R	2008 R
17. INTEREST EARNED		
External Investments:		
Cash Deposits	240 486	474 023
Outstaning Debtors	143 975	-
Total Interest Earned	**384 461**	**474 023**
18. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Buildings	51 408	39 341
Rental Revenue from Halls	174 250	134 367
Rental Revenue from Other facilities	50 401	
Total Rental of Facilities and Equipment	**276 059**	**173 708**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
19. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share Allocation	6 790 205	4 135 609
Disaster Low Cost Housing	-	-
MAP control	400 000	306 996
IDP Review	102 899	220 819
P.M.S.	204 902	134 909
LUMS	153 561	46 600
G.I.S	70 000	-
Finance Management (FMS)	873 858	542 273
Library Service Grant	139 561	666 531
E Learning	15 945	134 055
Property Rates Act	1 932 153	-
MFMA	145 000	100 000
MSIG Ward Committees	32 250	-
Municipal Planning Capacity	72 085	-
Umkhanyakude Water	8 576	21 504
Municipal Infrastructure Grant	33 493	-
GIJIMA KZN Implementation plan	99 291	41 895
GIJIMA KZN Tourism Strategy	96 157	64 001
MSIG Municipal Support	678 852	-
MTB Library Computor Assistance	167 362	35 843
Corridor Development Funding	-	-
Indigent support grant	-	35 730
DC 27 grant	-	30 000
Cultural centre grant	-	21 442
Kwamsane library grant	-	6 916
Interdepartmental monitoring grant (1)	-	60 000
Interdepartmental monitoring grant (2)	-	40 000
Total Government Grant and Subsidies	**12 016 150**	**6 645 123**

Comparative year has been restated due to the correction of an error (refer to note 29)

	2009 R	2008 R
19.1 Disaster claim low cost housing		
Balance unspent at beginning of year	150 000	150 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 8)	**150 000**	**150 000**

Grants be given by government for damage on crops

	2009 R	2008 R
19.2 M.A.P. Control		
Balance unspent at beginning of year	-	206 996
Current year receipts	400 000	100 000
Conditions met - transferred to revenue	(400 000)	(306 996)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**-**

Provincial grants to assist certain municipalies to comply with issues regarding legislation and financial matters. Grants is spent accordance with a business plan approved by the Provincial Government. Other than the spent amount, the conditions of the grant have been met.No funds have been withheld.

	2009 R	2008 R
19.3 I.D.P. Review		
Balance unspent at beginning of year	154 660	155 479
Current year receipts	10 000	220 000
Conditions met - transferred to revenue	(102 899)	(220 819)
Conditions still to be met transferred to liabilities (see note 8)	**61 761**	**154 660**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
19.4 P.M.S.		
Balance unspent at beginning of year	392 991	265 000
Current year receipts		262 900
Conditions met - transferred to revenue	(204 902)	(134 909)
Conditions still to be met transferred to liabilities (see note 8)	**188 089**	**392 991**
19.5 LUMS		
Balance unspent at beginning of year	257 000	300 000
Current year receipts		3 600
Conditions met - transferred to revenue	(153 561)	(46 600)
Conditions still to be met transferred to liabilities (see note 8)	**103 439**	**257 000**
19.6 G.I.S.		
Balance unspent at beginning of year	70 000	70 000
Current year receipts		
Conditions met - transferred to revenue	(70 000)	
Conditions still to be met transferred to liabilities (see note 8)	**-**	**70 000**
19.7 Finance Management		
Balance unspent at beginning of year	655 749	948 022
Current year receipts	1 250 000	250 000
Conditions met - transferred to revenue	(873 858)	(542 273)
Conditions still to be met transferred to liabilities (see note 8)	**1 031 891**	**655 749**
19.8 Library service grant		
Balance unspent at beginning of year	139 561	646 255
Current year receipts		159 837
Conditions met - transferred to revenue	(139 561)	(666 531)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**139 561**
19.9 E Learning		
Balance unspent at beginning of year	15 945	150 000
Current year receipts		
Conditions met - transferred to revenue	(15 945)	(134 055)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**15 945**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
19.10 Property Rates Act		
Balance unspent at beginning of year	298 153	154 153
Current year receipts	1 634 000	144 000
Conditions met - transferred to revenue	(1 932 153)	
Conditions still to be met transferred to liabilities (see note 8)	**-**	**298 153**
19.11 MFMA		
Balance unspent at beginning of year	145 000	245 000
Current year receipts		
Conditions met - transferred to revenue	(145 000)	(100 000)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**145 000**
19.12 MSIG Ward Committees		
Balance unspent at beginning of year	-	
Current year receipts	175 000	
Conditions met - transferred to revenue	(32 250)	
Conditions still to be met transferred to liabilities (see note 8)	**142 750**	**-**
19.13 Municipal Development Planning Capacity		
Balance unspent at beginning of year	100 000	
Current year receipts		100 000
Conditions met - transferred to revenue	(72 085)	
Conditions still to be met transferred to liabilities (see note 8)	**27 915**	**100 000**
19.14 Umkhanyakude Water/Eskom		
Balance unspent at beginning of year	432 100	453 604
Current year receipts		
Conditions met - transferred to revenue	(8 576)	(21 504)
Conditions still to be met transferred to liabilities (see note 8)	**423 524**	**432 100**
19.15 Municipal Infrastructure grant		
Balance unspent at beginning of year	-	
Current year receipts	3 768 000	
Conditions met - transferred to revenue	(33 493)	
Conditions still to be met transferred to liabilities (see note 8)	**3 734 508**	**-**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
19.16 GIJIMA KZN implementation plan		
Balance unspent at beginning of year	25 056	-
Current year receipts	83 699	66 951
Conditions met - transferred to revenue	(99 291)	(41 895)
Conditions still to be met transferred to liabilities (see note 8)	**9 464**	**25 056**
19.17 GIJIMA KZN tourism strategy		
Balance unspent at beginning of year	7 180	-
Current year receipts	88 977	71 181
Conditions met - transferred to revenue	(96 157)	(64 001)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**7 180**
19.18 MSIG municipal support		
Balance unspent at beginning of year	734 000	-
Current year receipts		734 000
Conditions met - transferred to revenue	(678 852)	
Conditions still to be met transferred to liabilities (see note 8)	**55 148**	**734 000**
19.19 MTB Library computor assistance		
Balance unspent at beginning of year	141 957	-
Current year receipts	-	177 800
Conditions met - transferred to revenue	(167 362)	(35 843)
Conditions still to be met transferred to liabilities (see note 8)	**(25 405)**	**141 957**
19.20 Corridor development funding		
Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 8)	**3 000 000**	**-**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

19. GOVERNMENT GRANTS AND SUBSIDIES (continued)

	2009 R	2008 R
19.21 Indigent support grant		
Balance unspent at beginning of year	-	35 730
Current year receipts	-	-
Conditions met - transferred to revenue	-	(35 730)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**-**
19.22 DC 27 grant		
Balance unspent at beginning of year	-	30 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(30 000)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**-**
19.23 Cultural centre grant		
Balance unspent at beginning of year	-	21 442
Current year receipts	-	-
Conditions met - transferred to revenue		(21 442)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**-**
19.24 Kwamsane library grant		
Balance unspent at beginning of year	-	6 916
Current year receipts	-	-
Conditions met - transferred to revenue	-	(6 916)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**-**
19.25 Interdepartmental monitoring grant (1)		
Balance unspent at beginning of year	-	60 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(60 000)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**-**
19.26 Interdepartmental monitoring grant (2)		
Balance unspent at beginning of year	-	184 000
Transfer	-	(144 000)
Conditions met - transferred to revenue	-	(40 000)
Conditions still to be met transferred to liabilities (see note 8)	**-**	**-**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

20. OTHER REVENUE

Included in other income is the following:-

	2009 R	2008 R
Building plan fees	28 453	60 285
Actuarial gain	32 829	-
Burial fees	122 667	101 163
Rates clearance certificates	2 571	76 589
Garden Ref	1 210	3 855
Sale of documents	31 254	4 872
Additional Councilor support	-	43 400
Search fees	5 281	3 317
Miscelllaneous income	99 553	43 455
Rezoning income	500	-
Security St. Lucia	10 150	-
Other Income	-	4 320 666
Total Other Income	**334 468**	**4 657 602**

The amounts disclosed above for Other Income are in respect of services rendered, other than described in Notes 16 and 17, which are billed to or paid for by the users according to approved tariffs.

21. EMPLOYEE RELATED COSTS

	2009 R	2008 R
Employee related costs - Salaries and Wages	9 941 363	8 158 673
Employee related costs - Contributions for UIF, pensions and medical aids	1 726 644	1 580 682
Travel, motor car, accommodation, subsistence and other allowances	1 178 515	1 097 014
Housing benefits and allowances	31 309	23 433
Overtime payments	989 002	1 147 348
Contribution to Leave Gratuity	504 094	-
Contribution to provision for post- retirement medical aid benefits	274 508	190 159
Total Employee Related Costs	**14 645 435**	**12 197 309**

No advances were made to employees.

Remuneration of the Municipal Manager

	2009 R	2008 R
Annual Remuneration	406 441	487 062
Car Allowance	128 812	
Other	9 600	
Contributions to UIF, Medical and Pension Funds		
Total	**544 853**	**487 062**

Remuneration of the Chief Finance Officer

	2009 R	2008 R
Annual Remuneration	270 809	409 777
Car Allowance	87 539	
Other	8 000	
Contributions to UIF, Medical and Pension Funds		
Total	**366 348**	**409 777**

Remuneration of Individual Executive Directors

30 June 2009

	Corporate Services	Technical Services	Community Services
Annual Remuneration	325 147	325 132	270 809
Car Allowance	104 871	104 871	87 539
Other	9 600	9 600	8 000
Contributions to UIF, Medical and Pension Funds			
Total	**439 618**	**439 603**	**366 348**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

21. EMPLOYEE RELATED COSTS (continued)

30 June 2008

	Corporate Services	Technical Services	Community Services
Annual Remuneration	196 847	393 694	384 094
Car Allowance			
Other			
Contributions to UIF, Medical and Pension Funds			
Total	**196 847**	**393 694**	**384 094**

	2009 R	2008 R
22. REMUNERATION OF COUNCILLORS		
Executive Mayor	277 097	238 136
Deputy Executive Mayor	223 672	192 217
Speaker	223 672	192 217
Mayoral Committee Members	210 325	107 503
Councillors	629 349	798 071
Councillor's - travelling allowances	209 450	-
Councillor's - telephone allowances	57 131	-
Total Councillors - Remuneration	**1 830 696**	**1 528 144**

In-kind Benefits

The Mayor and the speaker is provided with an office at the municipality where they share a secretary.

Certification by the Municipal Manager:
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

	2009	Restated
23. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment (Refer note 10)	433 542	172 398
Amortisation: Intangible Assets (Refer note 11)		
Total Depreciation and Amortisation	**433 542**	**172 398**

	2009	Restated
24. INTEREST PAID		
Loans and payables at amortised cost	271 863	35 030
Finance leases	210 923	62 948
Total Interest on External Borrowings	**482 786**	**97 978**

	2009	2008
25. GRANTS AND SUBSIDIES PAID		
Grants donations	256 618	-
HIV/AIDS Programme	275 129	-
Community outreach fund	496 503	-
Total Grants and Subsidies	**1 028 250**	**-**

	2009	Restated
26. GENERAL EXPENSES		
Included in general expenses is the following:-		
Audit Fees	523 297	467 152
Actuarial Loss	-	95 287
Bad debt provision	102 240	3 495 964
Bank Charges	88 452	110 129
Books & Periodicals	29 675	15 723
Chemicals	19 933	-
Civil Expenses	16 884	-
Consumables	109 408	115 564
Delegation Fees	16 360	5 800
Electricity Charges	331 494	123 282
Entertainment	85 531	46 077
Fuel & Oil	462 750	357 106
Insurance	344 202	338 651
Legal Fees	5 148	21 943
Licenses	32 530	49 088
Membership Fees	113 340	54 254

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

26. GENERAL EXPENSES (continued)

	2009 R	2008 Restated R
Postage	113 241	76 894
Printing & Stationary	243 058	202 242
Publicity and Advertising	169 933	145 274
Refuse Bags	51 412	32 639
Rental: Office Machines	42 076	206 328
Rental: Plant and vehicle	25 214	190 316
Small Tools	1 134	11 206
Subsistance & Travel	453 176	522 358
Telephone Costs	654 001	494 000
Town Planning	60 670	124 718
Training	32 228	53 208
Uniforms and protective Clothing	72 802	105 956
Bargaining Council	5 137	4 758
Skills Development Levy	88 931	97 993
UIF	92 609	85 688
WCA Insurance	90 000	94 685
Asset Disposal	9 999	-
Miscelanious recovery	49 581	-
Grants expenditure	5 060 263	2 020 254
Non-capitalised asset expenditure	9 561	-
Total General Expenses	**9 606 269**	**9 764 539**

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

27. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2008/2009 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2009:

- GRAP 3 : Accounting policies, changes in accounting estimates and errors.
- IFRS 3 (AC 140) : Business combinations
- IFRS 5 (AC 142) : Non-current assets held for sale and discontinued operations
- IFRS 7 (AC 144) : Financial instruments: Disclosures
- IAS 39 (AC 133) : Financial instruments: Recognition and measurement

28. CORRECTION OF ERROR

During the 2007/2008 financial period a number of errors occurred, which are set out below:

28.1 Reserves to accumulated surplus

Since fund accounting is not allowed in terms of GRAP / GAMAP / GAAP, the municipality's internal funds and reserves should form part of the Accumulated Surplus and should not be disclosed, as in 2008, as separate reserves on the face of the Statement of Financial Position and Statement of Changes in Net Assets.

28.2 Finance Leases

In 2008 finance leased assets were expensed. Subsequently, more accurate information was obtained from the suppliers and the resulting effect on these assets, lease liabilities and expenditures were adjusted.

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

28. CORRECTION OF ERROR (continued)

1 Hall Hire Deposits

Hall hire deposits and relating revenue was restated to apply revenue earned correctly

The financial statements of 2008 has been restated to correct these errors. The effect of the restatement is summarised below:

	Previously reported 2008	Amount of correction 2008	Restated 2008
(a) Adjustment of accumulated surplus movement for the year ended 30 June			
Accumulated Profit	6 450 188	588 682	7 038 870
Housing development fund	1 852 762	(710 304)	1 142 458
Capitalisation reserve	18 308 644	61 312	18 369 956
Government grant reserve	3 540 460	60 310	3 600 770
Accumulated profit - Vat		737 517	737 517
Accumulated Profit		(1 333 160)	(1 333 160)
	30 152 054	**(595 643)**	**29 556 411**
(b) Adjustment against surplus for the year ended 30 June 2008			
(Increase)/Decrease in Revenue			
Rental income - Hall hire	(134 367)	(15 306)	(149 673)
Increase/(Decrease) in Expenditure			
Depreciation (on finance leased asset)	121 240	51 158	172 398
Interest paid	40 266	(5 236)	35 030
Empoyment cost - Current service cost		81 485	81 485
Empoyment cost - Interest cost		108 674	108 674
Actuarial loss/gain		95 287	95 287
Empoyment cost - Contibutions		(49 776)	(49 776)
Performance bonus expenditure		130 547	130 547
Interest paid (on finance leases - vehicles)		21 339	21 339
Interest paid (on finance leases - Machines)	-	41 609	41 609
General expenses (Capitalisation of Leases - Vehicles)		(72 220)	(72 220)
General expenses (Capitalisation of Leases - Machines)		(26 761)	(26 761)
Decrease/(Increase) in surplus for the year ended 30 June 2008	**27 139**	**360 800**	**387 939**
(c) Adjustment of balances - assets and liabilities - as at 30 June 2008			
Increase/(decrease) in PPE (finance leased asset) carrying value	**-**	**1 168 803**	**1 168 803**
PPE (finance leased asset) cost	-	1 219 961	1 219 961
Accumulated depreciation	-	(51 158)	(51 158)
Decrease/(Increase) in performance bonus provisions	**(135 345)**	**(130 547)**	**(265 892)**
Performance bonus provision	(135 345)	(130 547)	(265 892)
Increase/(decrease) in VAT receivable		**876 112**	**876 112**
Prior year transaction		737 517	737 517
I.r.o. finance lease adjustment	761 139	138 596	899 735
Decrease/(Increase) in post employment liability liability		**1 568 830**	**1 568 830**
Post employment benefit liability		1 568 830	1 568 830
Decrease/(Increase) in finance lease liability	**-**	**(1 322 523)**	**(1 322 523)**
Finance leases - Vehicles			
Finance leases - Machines	-	(1 322 523)	(1 322 523)
Decrease/(Increase) in long term liability	**(3 020 340)**	**5 236**	**(3 015 084)**
Non-current Liability	- 3 020 340	5 236	- 3 015 084

Reconciliation of adjustments due to accounting policies and prior period errors

NET ASSETS AND LIABILITIES

Net assets	**30 152 054**	**(1 333 160)**	**28 818 894**
Housing Development Fund	1 852 762	(710 304)	1 142 458
Capital replacement reserve	-		-
Capitalisation reserve	18 308 644	61 312	18 369 956
Government grant reserve	3 540 460	60 310	3 600 770
Donations and public contributions reserve	-		-
Accumulated Surplus/(Deficit)	6 450 188	(744 478)	5 705 710
Non-current liabilities	**3 020 340**	**2 886 117**	**5 906 457**
Deferred income	-		-
Long-term liabilities	3 020 340	(5 236)	3 015 104
Finance Leases		1 322 523	1 322 523
Provision for post- retirement medical aid benefits	-	1 568 830.00	1 568 830
Other non-current provisions	-	-	-
Current liabilities	**7 615 118**	**115 241**	**7 730 359**
Consumer deposits	-		-
Provisions	335 345	130 547	465 892
Creditors	3 096 377	(15 306)	3 081 071
Post employment benefits	-		
Unspent conditional grants and receipts	3 719 352		3 719 352
Bank Overdraft	299 211		299 211
Current portion of long-term liabilities	164 833		164 833
Total Net Assets and Liabilities	**40 787 512**	**1 668 198**	**42 455 710**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
ASSETS			
Non-current assets	**28 046 748**	**1 168 803**	**29 215 551**
Property, plant and equipment	28 046 748	1 168 803	29 215 551
Investment property	-		-
Long-term receivables	-		-
Finance lease receivables	-		-
Current assets	**12 740 764**	**876 112**	**13 616 876**
Assets classified as held-for-sale	-	-	-
Consumer debtors	10 092 918		10 092 918
Other debtors	163 529		163 529
VAT	761 139	876 112	1 637 251
Call investment deposits	579 721	-	579 721
Current portion of long-term receivables	-		-
Current portion of finance lease receivables	-		-
Bank balances and cash	1 143 457	-	1 143 457
Total Assets	**40 787 512**	**2 044 915**	**42 832 427**
Surplus/(Deficit) for the year	**- 3 288 188**	**(360 800)**	**(3 648 988)**

29. CASH GENERATED BY OPERATIONS

	2009	2008
Deficit for the year	(2 125 765)	(3 648 985)
Adjustment for:-		
Previous years	-	-
Depreciation and Amortisation	433 542	172 398
Gain on disposal of property, plant and equipment	(85 051)	-
Post employment benefit movements - Non-cash	241 679	285 446
Increase/(Decrease) in provisions	266 004	383 792
Investment income	(384 461)	(474 023)
Interest paid	482 786	97 978
Operating surplus before working capital changes:	**(1 171 266)**	**(3 183 394)**
(Increase)/decrease in consumer debtors	(1 057 237)	(1 762 175)
(Increase)/decrease in other debtors	(155 713)	316 466
Increase/(Decrease) in unspent conditional grants and receipts	5 183 732	1 955 360
Increase/(Decrease) in the net finance lease liability	(210 925)	1 322 564
Increase/(Decrease) in creditors	1 637 998	(135 818)
(Increase)/Decrease in VAT	(1 434 578)	984 415
Cash generated by/(utilised in) operations	**2 792 011**	**(502 582)**

30. CASH AND CASH EQUIVALENTS

	2009	2008
Bank balances and cash	(522 341)	843 245
Overdraft	(1 730 688)	(299 212)
Call investment deposits	1 208 347	1 142 457
Petty Cash Advances	4 000	1 000
Total cash and cash equivalents	**(518 341)**	**844 245**

31. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The Municipality was not engaged in any transaction or event during the year under review involving non-cash investing and financing transactions.

32. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:

	2009	2008
- Amount used	(522 341)	-
- Amount unused	(1 477 659)	(4 000 000)
	(2 000 000)	**(4 000 000)**

33. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2009	2008
Long-term liabilities (see Note 4)	4 129 599	4 502 481
Used to finance property, plant and equipment - at cost	4 129 599	4 502 481

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the upcoming annual payment for long-term liabilities can be made.

	2009	2008
	R	R

34. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

34.1 Unauthorised expenditure

To the best of knowledge no unauthorised expenditure was incurred during the year under review.

34.2 Fruitless and wasteful expenditure

To the best of knowledge instances of note indicating that fruitless and wasteful expenditure was incurred during the year under review were not revealed.

34.3 Irregular expenditure

Irregular expenditure was incurred when R6 624 684 of conditional grant allocations was spent to fund operating expenditure.
The balance of unspent unconditional grants are included in note 8.

35. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

35.1 Contributions to organized local government

	2009 R	2008 R
Opening balance	-	-
Council subscriptions	-	38 529
Amount paid - current year	-	(38 529)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

35.2 Audit fees

	2009 R	2008 R
Opening balance	-	-
Current year audit fee	523 297	310 918
Amount paid - current year	(523 297)	(310 918)
Balance unpaid (included in creditors)	**-**	**-**

35.3 VAT

VAT input receivables and VAT output payables are shown in note 14. All VAT returns have been submitted by the due date throughout the year.

35.4 PAYE

	2009 R	2008 R
Opening balance	-	-
Current year payroll deductions	1 567 416	1 339 912
Amount paid - current year	(1 567 416)	(1 339 912)
Balance unpaid (included in creditors)	**-**	**-**

35.5 Pension, Medical Aid Deductions and UIF

	2009 R	2008 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	1 726 644	1 580 682
Amount paid - current year	(1 726 644)	(1 580 682)
Balance unpaid (included in creditors)	**-**	**-**

35.6 Councillor's arrear consumer accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

36. CAPITAL COMMITMENTS

	2009 R	2008 R
Commitments in respect of capital expenditure:		
- Approved and contracted for	**1 458 014**	**1 904 352**
Infrastructure	1 219 653	1 479 000
Community	238 361	137 922
Other		287 430
Total	**1 458 014**	**1 904 352**
This expenditure will be financed from:		
- Capital Replacement Reserve	1 458 014	1 904 352
- Government Grants		
	1 458 014	**1 904 352**

37. FINANCIAL INSTRUMENTS

37.1 Classification

Financial Assets

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

Financial asset	**Classification**	2009	2008
Consumer Debtors			
Rates	Loans and receivables	9 016 366	8 469 410
Secutiry	Loans and receivables	255 537	205 755
Refuse Removal	Loans and receivables	1 878 253	1 417 754
Other Debtors			
Other Debtors	Loans and receivables	-	-
Sundry debtors	Loans and receivables	151 656	67 507
Bank Balances and Cash			
Bank Balances	Loans and receivables	(522 341)	843 245
Cash Floats and Advances	Loans and receivables	4 000	1 000
Other Cash Equivalents	Loans and receivables	1 208 347	1 142 457
Total Financial Assets		**11 991 818**	**12 147 128**

Financial liabilities

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

Financial liability	**Classification**	2009	2008
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	2 732 796	3 015 084
Creditors			
Trade creditors	Financial liabilities at amortised cost	1 421 503	139 898
Retentions	Financial liabilities at amortised cost	57 713	230 114
Staff leave	Financial liabilities at amortised cost	1 203 834	995 678
Other creditors	Financial liabilities at amortised cost	1 066 247	664 605
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	285 162	164 833
Total Financial Liabilities		**6 767 255**	**5 210 212**

37.2 Fair Value of Financial Instruments

Management of the municipality is of the opinion that the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

37.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2 and 42 and the Statement of Changes in Net Assets.

Gearing Ratio	**2009**	**2008**
	R	**R**
The gearing ratio at the year-end was as follows:		
Debt	4 129 599	4 502 481
Bank Overdraft	522 341	(843 245)
Net Debt	**4 651 940**	**3 659 236**
Equity	**25 972 603**	**28 052 772**
Net debt to equity ratio	**17.91 %**	**13.04 %**

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 4.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

37.4 Financial Risk Management Objectives

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

37.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

37.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 38.7 below). No formal policy exists to hedge volatilities in the interest rate market.

37.6. 1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates.

37. FINANCIAL INSTRUMENTS (continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instrument at year-end with variable interest rates are set out in 38.7 and 38.8 below.

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the balance of the variable rate debt instrument.

37. 6 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 33 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.(cash)

The municipality has access to financing facilities, the total unused amount which is R 1,477,659 at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

37.7 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

	2009	**2008**
	R	**R**
Consumer Debtors	25 248 906	24 089 429
Other Debtors	319 243	163 529
Bank and Cash Balances	(518 341)	844 245
Maximum Credit and Interest Risk Exposure	**25 049 808**	**25 097 203**

38. RELATED PARTY TRANSACTIONS

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

38.1 Services rendered to related parties	**Rates**	**Service Charges**	**Outstanding Balances**
30 June 2009			
Councillors	25 352	2 539	27 891
Section 57 Personnel	12 524	3 464	15 988
Total	**37 875**	**6 004**	**43 879**
30 June 2008			
Councillors	42 657	1 338	43 996
Section 57 Personnel	8 977	6 167	15 144
Total	**51 634**	**7 505**	**59 140**

The rates and service charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses had beer recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel (managers directly accountable to the Municipal Manager). No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

38.2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date have been repaid

38.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 22.

	2009 R	**2008 R**
39. CONTINGENT LIABILITY		
Claim against Lot 1077 for damage due to blocked drains is now settled to the full settlement of R 43 483.71	-	30 000
Illegal Buildings		
Lot 1077, Kwasane		
Mbatha Joyce. F		
Trans Africa housing re-opened		
	-	**30 000**

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

40. CONTINGENT ASSET

The Municipality was not engaged in any transaction or event during the year under review giving rise to a contingent asset.

41. IN-KIND DONATION AND ASSISTANCE

The Municipality did not receive any in-kind donation and assistance during the year under review.

42. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

43. PRIVATE PUBLIC PARTNERSHIPS

The Municipality has as yet not entered into a public-private partnership agreement with any private party.

44. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2009.

45. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these financial statements the municipality has not applied the following GRAP standards that have been issued but is not yet effective:

- GRAP 18 Segment Reporting
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effectiveand anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A

MTUBATUBA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2008	Received during the period	Redeemed written off during the period	Balance 30/06/2009	Carrying Value of Property, Plant and Equipment	Other Costs in accordance with the MFMA
LONG- TERM LOANS								
DBSA 1		2018/09/30	3 005 000		100 465	2 904 535	-	-
DBSA 2		2010/12/31	174 917		61 493	113 423	-	-
Total Long- Term Loans			**3 179 917**	**-**	**161 958**	**3 017 958**	**-**	**-**
LEASES								
Vehicle - Wesbank	0001S	2013/01/31	145 626		22 869	122 757	104 455	-
Vehicle - Wesbank	0002L	2013/01/31	145 626		22 869	122 757	104 455	
Motor Vehicle - Wesbank	0003K	2013/01/31	128 158		20 126	108 032	104 809	
KM 1635 Copier	E7X81176	2013/01/31	62 361		10 078	52 284	38 252	
KMC 4035E Copier	N7700314	2013/01/31	120 381		19 454	100 927	73 840	
KMC 4035E Copier	N7700319	2013/01/31	120 381		19 454	100 927	73 840	
KM 1635 Copier	K3109670	2013/01/31	70 676		11 422	59 255	43 352	
KM 1650 Copier	D7617970	2013/01/31	64 163		10 369	53 794	39 357	
KM 2035 Copier	D7618229	2013/01/31	64 163		10 369	53 794	39 357	
KM 1650 Copier	K3109697	2013/01/31	70 676		11 422	59 255	43 352	
KM 2935 Copier	D7618085	2013/01/31	64 163		10 369	53 794	39 357	
Slement 3550	SK772084910	2013/02/28	266 019		41 955	224 065	166 204	-
Total leases			**1 322 394**	**-**	**210 756**	**1 111 641**	**870 631**	**-**
TOTAL EXTERNAL LOANS			**4 502 311**	**-**	**372 714**	**4 129 599**	**870 631**	**-**

APPENDIX B

MTUBATUBA MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance	**Additions**	**Under Construction**	**Transfer in or Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Carrying Value**
Land and Buildings										
Land	17 746 500	10 284		(1 510 284)	16 246 500				-	16 246 500
Buildings	3 473 998	368 737		309 702	4 152 436				-	4 152 436
	21 220 498	**379 021**	**-**	**(1 200 583)**	**20 398 936**	**-**	**-**	**-**	**-**	**20 398 936**
Infrastructure										
Public toitlets					-				-	-
Roads	1 265 955	1 632 582		3 024 262	5 922 798			-31 103	31 103	5 891 695
Landfill Sites					-				-	-
	1 265 955	**1 632 582**	**-**	**3 024 262**	**5 922 798**	**-**	**-**	**(31 103)**	**31 103**	**5 891 695**
Community Assets										
Libraries	759 067				759 067				-	759 067
Recreation Grounds	253 022	45 311			298 334				-	298 334
Civic Buildings	1 012 089			20 143	1 032 232				-	1 032 232
	2 024 178	**45 311**	**-**	**20 143**	**2 089 633**	**-**	**-**	**-**	**-**	**2 089 633**
Heritage Assets										
Historical Buildings	875 000				875 000				-	875 000
Painting and Art Galleries	1				1				-	1
	875 001	**-**	**-**	**-**	**875 001**	**-**	**-**	**-**	**-**	**875 001**
Total carried forward	**25 385 632**	**2 056 914**	**-**	**1 843 822**	**29 286 368**	**-**	**-**	**(31 103)**	**31 103**	**29 255 265**

APPENDIX B

MTUBATUBA MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009 (continued)

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance	**Additions**	**Under Construction**	**Reclassification and Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Carrying Value**
Total brought forward	**25 385 632**	**2 056 914**	**-**	**1 843 822**	**29 286 368**	**-**	**-**	**(31 103)**	**31 103**	**29 255 265**
Other Assets										
Office Equipment	2 781 994	227 788		(1 853 826)	1 155 955	121 240	189 551	31 103	279 688	876 267
	2 781 994	**227 788**	**-**	**(1 853 826)**	**1 155 955**	**121 240**	**189 551**	**31 103**	**279 688**	**876 267**
Leased Assets										
Office Equipment	827 812	-	-	-	827 812	51 158	165 562	-	216 720	611 092
Vehicles	392 148		-	-	392 148	-	78 429	-	78 429	313 719
	1 219 961	**-**	**-**	**-**	**1 219 960**	**51 158**	**243 991**	**-**	**295 149**	**924 811**
Total: Property, Plant and Equipment	**29 387 587**	**2 284 702**	**-**	**(10 004)**	**31 662 283**	**172 398**	**433 542**	**-**	**605 940**	**31 056 343**
Grand Total	**29 387 587**	**2 284 702**	**-**	**(10 004)**	**31 662 283**	**172 398**	**433 542**	**-**	**605 940**	**31 056 343**

APPENDIX C

MTUBATUBA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENTAS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance	**Additions**	**Under Construction**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Carrying Value**
Community services	5 747 381	625 682	-		6 373 062	-	-	-	-	6 373 062
Executive council	18 653 284	1 935 404	-		20 588 688	172 398	433 542	-	605 940	19 982 748
Finance and administration	1 552 557		-	25 447	1 527 111			-	-	1 527 111
Public safety	140 414	550 630	-		691 045	-	-	-	-	691 045
Public works	1 678 227	3 436 863	-		5 115 091	-	-	-	-	5 115 091
Waste Management	1 615 723		-	1 500 000	115 723	-	-	-	-	115 723
TOTAL	**29 387 586**	**6 548 580**	**-**	**1 525 447**	**34 410 727**	**172 398**	**433 542**	**-**	**605 940**	**33 804 787**

APPENDIX D

MTUBATUBA MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Restated Actual Income R	2008 Restated Actual Expenditure R	2008 Restated Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
1 104 236	3 732 359	(2 628 123)	Community services	1 325 539	5 657 953	(4 332 414)
434 000	3 838 806	(3 404 806)	Executive council	164 347	5 099 567	(4 935 220)
60 285	750 532	(690 247)	Planning and development	28 953	1 026 277	(997 325)
20 483 561	10 766 690	9 716 871	Finance and administration	24 473 593	9 906 719	14 566 875
1 851 695	2 262 451	(410 756)	Public safety	2 136 774	2 879 946	(743 171)
-	4 431 616	(4 431 616)	Public works	-	2 661 917	(2 661 917)
1 943 238	3 743 546	(1 800 308)	Waste Management	2 563 329	4 007 324	(1 443 995)
25 877 015	**29 526 000**	**(3 648 985)**	**Sub Total**	**30 692 536**	**31 239 703**	**(547 167)**
-	-	-	Less Inter- Departmental Charges	-	-	-
25 877 015	**29 526 000**	**(3 648 985)**	**Total**	**30 692 536**	**31 239 703**	**(547 167)**

APPENDIX E (1)

MTUBATUBA MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

REVENUE	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Property rates	12 070 599	11 505 000	565 599	4.92	
Service charges	3 388 927	3 293 000	95 927	2.91	
Rental of facilities and equipment	276 059	255 000	21 059	8.26	
Interest earned - external investments	240 486	350 000	(109 514)	(31.29)	Under-estimated the potential to raise interest (cash flow problems)
Interest earned - outstanding debtors	143 975	1 400 000	(1 256 025)	(89.72)	During adjustment budget failed to estimate the interest that may be earned
Fines	243 145	202 000	41 145	20.37	This is if the court approves and if not could have even not realised 120%
Licences and permits	1 893 676	2 045 000	(151 324)	(7.40)	
Government grants and subsidies	12 016 150	10 309 719	1 706 431	16.55	
Other income	341 843	303 500	38 343	12.63	
Gains on disposal of property, plant and equipment	85 051	-	85 051	-	
Total Revenue	***30 699 911***	***29 663 219***	***1 036 692***	***3.49***	
EXPENDITURE					
Employee related costs	14 645 435	13 231 968	1 413 467	10.68	overtime issues
Remuneration of Councillors	1 830 696	1 829 906	790	0.04	
Depreciation	435 928	-	435 928	-	
Repairs and maintenance	2 872 687	2 722 700	149 987	5.51	
Interest paid on external borrowings	482 786	220 000	262 786	119.45	during adjustment lease transections were clasified under I/S
Contracted services	1 905 558	1 906 000	(442)	(0.02)	
Grants and subsidies paid	1 028 250	1 030 000	(1 750)	(0.17)	
General expenses- other	9 624 336	4 228 201	5 396 135	127.62	
Total Expenditure	***32 825 676***	***25 168 775***	***7 656 901***	***30.42***	
NET SURPLUS/(DEFICIT) FOR THE YEAR	***(2 125 764)***	***4 494 444***	***(6 620 209)***	***(147.30)***	

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APPENDIX E (2)

MTUBATUBA MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R	2009 Under Construction R	2009 Total Additions R	2009 Budget R	2009 Variance R	2009 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Community services	103 376		103 376	110 000	(6 624)	(6.02)	Capital expenditure carried forward from previous years
Executive council	16 500		16 500	20 000	(3 500)	(17.50)	Capital expenditure carried forward from previous years
Finance and administration	44 256		44 256	40 000	4 256	10.64	Capital expenditure carried forward from previous years
Public safety	160 599		160 599	150 000	10 599	7.07	Capital expenditure carried forward from previous years
Public works	1 180 193		1 180 193	1 200 000	(19 807)	(1.65)	Capital expenditure carried forward from previous years
Waste Management	10 284		10 284	10 000	284	2.84	Capital expenditure carried forward from previous years
	1 515 208	**-**	**1 515 208**	**1 530 000**	**(14 792)**	**(0.97)**	

APPENDIX F

MTUBATUBA MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		September	December	March	June	September	December	March	June	Septemb	December	March	June		Yes / No
Disaster Claim Low Cost Housing	Privincial Treasury	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
M A P Control	Privincial Treasury	400 000	-	-	-	-	-	78 072	321 928	-	-	-	-	None	Yes
I D P Review	Privincial Treasury	-	-	10 000	-	-	59 155	-	36 789	-	-	-	-	None	Yes
P M S	Privincial Treasury	-	-	-	-	-	78 827	4 257	121 818	-	-	-	-	None	Yes
Corridor Development Fund	Privincial Treasury	3 000 000	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Lums	Privincial Treasury	-	-	-	-	-	2 200	74 067	77 295	-	-	-	-	None	Yes
G I S	Privincial Treasury	-	-	-	-	56 295	6 580	-	7 125	-	-	-	-	None	Yes
Finance Management Grant	Privincial Treasury	1 250 000	-	-	-	116 879	25 739	100 412	630 828	-	-	-	-	None	Yes
MIG	Privincial Treasury	500 000	500 000	500 000	2 268 000	33 493	-	-	-	-	-	-	-	None	Yes
Library Service Fund	Privincial Treasury	-	-	-	-	-	10 400	-	129 161	-	-	-	-	None	Yes
MSIG- Ward Committees	Privincial Treasury	-	175 000	-	-	-	-	-	32 250	-	-	-	-	None	Yes
E - Learning	Privincial Treasury	-	-	-	-	15 945	-	-	-	-	-	-	-	None	Yes
Property Rates Act	Privincial Treasury	1 634 000	-	-	-	779 081	-	1 018 164	134 907	-	-	-	-	None	Yes
M F M A	Privincial Treasury	-	-	-	-	42 046	104 472	9 114	-	-	-	-	-	None	Yes
Municipal Development Planning	Privincial Treasury	-	-	-	-	-	-	-	72 085	-	-	-	-	None	Yes
Indigent Support	Privincial Treasury	-	-	-	-	-	-	-	8 576	-	-	-	-	None	Yes
LED Implementation Plan	Privincial Treasury	-	-	83 699	-	-	-	99 291	-	-	-	-	-	None	Yes
Gijima Tourism Strategy	Privincial Treasury	-	88 977	-	-	-	8 960	87 197	-	-	-	-	-	None	Yes
MSIG Grant	Privincial Treasury	-	-	-	-	-	668 523	10 329	-	-	-	-	-	None	Yes
Mtubatuba Library Assistant	Privincial Treasury	-	-	-	-	40 506	42 872	41 404	42 580	-	-	-	-	None	Yes
										-	-	-	-	None	Yes

*** Reasons for non- compliance**
No expenditure was incurred in this financial year. The funding will be utilised in the next financial year.

APPENDIX G

MTUBATUBA MUNICIPALITY

IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Person	Estimated
Property, plant and equipment (GRAP 17)	Review of useful life of items of PPE recognised in the annual financial statements *[paragraphs 59 – 61, and 77]*	**1)** CFO to communicate the requirement for the review of useful lives of PPE to all custodians of Assets through a workshop/written communication. **2)** CFO to issue a memo to all departmental managers at year-end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic. **3)** Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year-end. **4)** The useful lives in the asset register should be amended for items identified and the depreciation charge adjusted for the current and future periods. **5)** Pass necessary accounting entries and also do necessary disclosure of the change in estimate (nature of change in estimate, amounts involved, effect on future periods).	CFO	*June 2011*
Property, plant and equipment (GRAP 17)	Review of depreciation method applied to PPE recognised in the annual financial statements *[paragraphs 62 and 77]*	**1)** CFO to communicate the requirement for the review of depreciation method applied to PPE to all custodians of Assets through a workshop/written communication. **2)** CFO to issue a memo to all departmental managers at year-end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. **3)** CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. **4)** Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year-end. **5)** Pass necessary accounting entries and also do necessary disclosure of the change in estimate (nature of change in estimate, amounts involved, effect on future periods).	CFO	*June 2011*
Property, plant and equipment (GRAP 17)	Impairment of non-cash-generating assets *[paragraphs 64 – 69 and 75(e)(v) – (vi)]*	**1)** Identify items of PPE that may have suffered impairment losses at year-end by issuing a memo to all departments requesting them to identify assets that: Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Are technologically obsolete at year-end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life. are not performing according to their specifications or according to industry accepted norms. **2)** Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	CFO	*June 2011*

APPENDIX G

MTUBATUBA MUNICIPALITY

IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007 (continued)

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Property, plant and equipment (GRAP 17)	Impairment of cash-generating assets *[paragraphs 63 and 75(e)(v) – (vi)]*	**1)**	Identify items of PPE that may have suffered impairment losses at year-end by issuing a memo to all departments requesting them to identify assets that: Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Are technologically obsolete at year-end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life. are not performing according to their specifications or according to industry accepted norms.	CFO	*June 2011*
		2)	Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.		
Impairment of Assets (IAS 36/AC 128)	Entire Standard	**1)**	An accounting policy on the impairment and associated losses of assets should be developed.	CFO	*June 2011*
		2)	Identify items of PPE that may have suffered impairment losses at year-end by issuing a memo to all departments requesting them to identify assets that: Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Are technologically obsolete at year-end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life. are not performing according to their specifications or according to industry accepted norms.		
		3)	Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.		

APPENDIX G

MTUBATUBA MUNICIPALITY

IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Leases (IAS 17/AC 105)	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement.		The Municipality has consulted with the KZN Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Leases (IAS17 /AC 105) by 30 June 2007.	CFO	*June 2011*
Intangible Assets (IAS 38/AC 129)	The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed		Classification and initial measurement of Intangible Assets not yet accounted for in terms of IAS 38:	CFO	*June 2011*
		1)	All assets that meet the definition of an intangible asset and the recognition criteria for an asset should be identified by scrutinising the AR and capital purchases file/vouchers.		
		2)	All intangible assets identified should be measured initially at their cost price. Examples of items which may meet the definition of an intangible asset in the municipal environment are: The cost of the General Valuation Roll. A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year. Servitudes.		
		3)	Necessary procedures should be put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets.		
		4)	The following adjustments will need to be made to the intangible assets currently reflected as PPE in the asset register: If any intangible assets are currently classified as part of PPE, then the full application of IAS 38 will lead to a reclassification of these items as intangible assets. This will result in a reduction in the carrying amount of PPE and an increase in intangible assets. If intangible assets have been incorrectly expensed in the past this can be regarded as a prior period error and should be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality.		

APPENDIX G

MTUBATUBA MUNICIPALITY

IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Employee Benefits (IAS 19/AC 116)	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. *[paragraphs 29, 48 – 119, 120A(c)-(q)*]		The Municipality has consulted with the KZN Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Employee Benefits (IAS19 /AC 116) by 30 June 2007.	CFO	*June 2011*
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. *[SAICA circular 09/06 and paragraph 12]*		In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is ***deferred,*** for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest. The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.	CFO	*June 2011*
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. *[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]*		The municipality is of the opinion that it is, through its normal activities, complying with the requirements of the initial measurement of IAS 39. However in cases that might be identified where initial recognition is not done correctly, the following actions would be required.	CFO	*June 2011*
		1)	Initial recognition: IAS 39 requires recognition of a financial asset or a financial liability when, and only when, the entity becomes a party to the contractual provisions of the instrument, subject to the following provisions in respect of regular way purchases.		
		2)	Initial measurement: Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss. **Action:** Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. IAS 39 provides a hierarchy to be used in **determining the fair value** for a financial instrument which are the following: Quoted market prices in an active market are the best evidence of fair value and should be used, where they exist, to measure the financial instrument. If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. If there is no active market for an equity instrument and the range of reasonable fair values is significant and these estimates cannot be made reliably, then an entity must measure the equity instrument at cost less impairment.		

APPENDIX G

MTUBATUBA MUNICIPALITY

IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale. *[paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]*	**1)**	Relevant staff members should be made fully aware of the requirements of IFRS 5.	CFO	*June 2011*
		2)	Print-outs of the FAR per department must be made and distributed to the Heads of every department. The Heads of departments must scrutinise the FAR applicable to their department and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11.		
		3)	The Heads of departments must return the departmental FAR, to the CFO and indicate the assets that meet the above mentioned criteria.		
		4)	CFO must ensure that every department returned the departmental-FAR and ensure that it has been signed-off as proof that it has been reviewed.		
		5)	Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are sold after year-end and meet the IFRS 5.6 to 11 requirements at year end. Ensure that these assets are classified as Non-current assets held for sale in the Financial Statements for the year under review.		
		6)	Measure and disclose the Non Current Assets held for Sale in accordance with IFRS 5 requirements.		
		7)	The following information should be disclosed in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold: a description of the non-current asset (or disposal group); a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal; the gain or loss recognised on initial or subsequent write down or reversal and if not separately presented on the face of the Statement of Financial performance, the caption in the Statement of Financial Performance that includes that gain or loss.		
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	**1)**	Financial instruments should be grouped into classes of similar instruments and, when disclosures are required, make disclosures by class. The two main categories of disclosures are: Information about the significance of financial instruments. Information about the nature and extent of risks arising from financial instruments.	CFO	*June 2011*
		2)	<u>Action</u>**:** The following **disclosures** for each of the categories should be included: <u>**Balance sheet:**</u> ***Financial assets*** **measured at fair value through profit and loss**, showing separately those held for trading and those designated at initial recognition. **Held-to-maturity** investments. **Loans and receivables.** **Available-for-sale assets.** ***Financial liabilities*** at **fair value through profit and loss**, showing separately those held for trading and those designated at initial recognition. **Financial liabilities** measured at **amortised cost.**		

APPENDIX G

MTUBATUBA MUNICIPALITY

IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Financial Instruments: Disclosures (IFRS 7/AC 144)			**Income statement:** **Items of income, expense, gains, and losses,** with separate disclosure of gains and losses from financial assets measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition, held-to-maturity investments, loans and receivables, available-for-sale assets, financial liabilities measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition and financial liabilities measured at amortised cost. **Interest** income and interest expense for those financial instruments that are not measured at fair value through profit and loss. **Fee** income and expense Amount of **impairment losses** on financial assets **Interest income on impairment financial assets** **Other disclosures:** Accounting policies for financial instruments. Note that disclosure of fair values is not required when the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables, or for instruments whose fair value cannot be measured reliably.	CFO	*June 2011*
Construction Contracts (IAS 11/AC 109)	Entire Standard	**1)** **2)**	The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. No actions for the application of IAS 11 are therefore necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.	CFO	*June 2011*
Business Combinations (IFRS 3/AC 140)	Entire Standard	**1)** **2)**	The municipality has not undertaken any business combinations. No actions are therefore at this stage required to implement the standard.	CFO	*June 2011*
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	**1)** **2)** **3)**	**Currently** all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46. On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit). According to **IAS 20**, Government grants used to finance assets, should be recognised either as a reduction in the cost of the asset or deferred income that will be amortised as the related asset is depreciated.	CFO	*June 2011*

APPENDIX G

MTUBATUBA MUNICIPALITY

IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)		4)	Therefore a decision should be made by Management as to which one of the alternatives prescribed by IAS 20 should be implemented. **Option 1** - If the grants will be recognised as a **reduction in the cost of assets**, the current Government Grants Reserve, should be debited and Assets credited in order to correct the AFS. The carrying value of assets on the FAR should be adjusted in order to correct the future depreciation charges on these assets. **Option 2** – If the grants will be recorded as **deferred income when it is utilised**, the Government Grant Reserve should be debited and Deferred Income credited. Furthermore, as the related asset is depreciated, the deferred income will be debited and revenue credited. In this scenario the revenue recorded will be equal to the depreciation charge related to asset financed from Government Grants.	CFO	*June 2011*
		5)	The implementation of IAS 20 will be regarded as a change in accounting policy and a disclosure note as is required by GRAP 3 should be prepared.		
General – Assets	Currently the asset management policy only refers to investment properties which are to be revalued annually (which is not the case as investment properties are currently measured using the cost model).		A policy on Investment Properties should be developed for the municipality that adheres to and includes the principles of IAS 40. The policy should include the criteria that should be used to distinguish investment properties from owner-occupied property and from property held for sale in the ordinary course of business.	CFO	*June 2011*
General – Assets	Infrastructure assets - no documented methodology exists on how to calculate the book values of infrastructure assets that currently have global amounts in the asset register.	1)	A detailed review of the asset register has been performed to identify Infrastructural assets that are recorded at global amounts.	CFO	*June 2011*
		2)	Consultants have been appointed to unbundle/itemise Infrastructure assets.		
		3)	The process of **allocating historical cost** to individual infrastructure assets will commence once assets have been itemized. This can be done by identifying and scrutinizing the relevant invoices on which expenses of the past has been incurred. Through this exercise the global amounts is unpacked and allocated to the individually significant assets within an Infrastructural asset. Assumptions will have to be made and implemented during this phase.		
		4)	to value the individual infrastructural assets on the depreciated replacement cost method. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.		
		5)	After the infrastructural assets have been divided into significant individual assets, the remaining life expectancy for these assets estimated and the costs allocated to individual assets, the backlog depreciation and annual depreciation can be calculated.		
		6)	The General/Ledger account for Infrastructural assets should be adjusted to align the accounts with the Asset Register after the steps above have been concluded.		
		7)	The Annual Financial Statements as at 30 June 2008 should be corrected in accordance with the requirements of GRAP 3.		

APPENDIX G

MTUBATUBA MUNICIPALITY

IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
SAICA circular 9/2006	The requirements of SAICA circular 9/06 may not have been considered by the municipality when recognising revenue income and costs of inventories.		In terms of SAICA Circular 9/2006, settlement discounts receivable have to be estimated at date of purchase and the cost of the Inventory purchased should be reduced accordingly.	CFO	*June 2011*
		1)	A list of all purchases of inventories should be prepared, where the purchase has been paid for cash on delivery, and where cash discounts have been received.		
		2)	The municipality must ensure that these cash discounts have been deducted from the cost price of the inventories concerned.		
		3)	If these cash discounts have been accounted for as other income ensure that the other income is reversed to cost of inventories in respect of inventories that are still on hand and to inventories expensed in respect of inventories that have been sold or utilised by the municipality.		
		4)	A list should be prepared of all settlement discounts received for prompt settlement of creditors in respect of inventories purchased.		
		5)	The municipality must ensure that these settlement discounts have been deducted from the cost price of the inventories concerned.		
		6)	If these settlement discounts have been accounted for as other income ensure that the other income is reversed to cost of inventories in respect of inventories that are still on hand and to inventories expensed in respect of inventories that have been sold or utilised by the municipality.		

APPENDIX H

MTUBATUBA MUNICIPALITY

ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:	N	**The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below.**	
		GRAP 4 The Effects of Changes in Foreign Exchange Rates GRAP 5 Borrowing Costs GRAP 6 Consolidated AFS GRAP 7 Associates GRAP 8 JV's GRAP 9 Revenue GRAP 10 Financial Reporting in Hyperinflationary Economies GRAP 11 Construction Contracts GRAP 12 Inventories GRAP 13 Leases		GRAP 4,6,7,8,9,12,17,19 Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS. GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.	A note setting out the GRAP standards having been issued but is not yet effective, and have not been applied at the date of authorisation of the financial statements is included in the notes to the financial statements. A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.
		GRAP 14 Events After the Reporting Date GRAP 16 IP GRAP 17 PPE GRAP 18 Segment Reporting GRAP 19 Provisions, Contingent Liabilities and Contingent Assets GRAP 100 Non Current assets held for sale GRAP 101 Agriculture GRAP 102 Intangible Assets		GRAP 10 and 11. The municipality does not have these types of transactions. GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.	No adjustment required. See adjustments required as per relevant sections of this document set out below.
		Changes in accounting policies (GRAP 3.14, 19)	N	No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.	No adjustments to the AFS are required.

APPENDIX H

MTUBATUBA MUNICIPALITY

ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	Y	In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is **deferred,** for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest. The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.	No adjustments to the AFS are required.
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	N	The municipality accounts for its immovable capital assets inventory in accordance with the accounting treatment and disclosure requirements as set out in GAMAP 12.	No adjustments to the AFS are required.
		The entire standard as far as it relates to water stock that was not purchased by the municipality.	N	The municipality accounts for its water inventories in accordance with the accounting treatment and disclosure requirements as set out in GAMAP 12.	No adjustments to the AFS are required.
GAMAP 17	PPE	Review of depreciation method applied to PPE recognised in the annual financial statements(GAMAP 17.62, 77)	Y	1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.	**The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.** 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.

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		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. Ø are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IPSAS 21.
		Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.

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				Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. Ø are not performing according to their specifications or according to industry accepted norms. Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.
IAS 11 AC 109	Construction contracts	Entire standard	**N**	1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.	1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.
IAS 14 AC 115	Segment reporting	Entire standard	**Y**	1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14. 2) Determine the business and geographical segments of the municipality. 3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa. 4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats.	**The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met**. The primary reporting format requires inter alia, disclosure of: 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets.

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					5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.
IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	N	The municipality accounts for its leases in accordance with the accounting treatment and disclosure requirements as set out in IAS 17.	No adjustments to the AFS are required.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	N	The municipality accounts for its defined benefit plans in accordance with the accounting treatment and disclosure requirements for the accounting for defined benefit plans as set out in IAS 19.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 19.
IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	N	The municipality accounts for its Government grants in accordance with the accounting treatment and disclosure requirements as set out in IAS	No adjustments to the AFS are required.
IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.	**The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:** 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.

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				Ø are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	5) All disclosure requirements as required by IAS 36.
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	N	The municipality accounts for its Intangible assets in accordance with the accounting treatment and disclosure requirements as set out in IAS 38.	No adjustments to the AFS are required.
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value(IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	N	All the applicable sections regarding the accounting recognition and measurement requirements relating to Financial Instruments as set out in IAS 39 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the requirements of IAS39.
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	N	The municipality accounts for its Investment property in accordance with the accounting treatment and disclosure requirements as set out in IAS 40.	No adjustments to the AFS are required.
		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	Y	1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.	1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position.
IFRS 3 (AC 140)	Business combinations	Entire standard	N	1) It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill. 2) Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3.	1) No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 3.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	N	The municipality accounts for its Non-current assets held-for-sale in accordance with the accounting treatment and disclosure requirements as set out in IFRS 5.	No adjustments to the AFS are required.
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	N	All the applicable sections regarding the disclosure requirements relating to Financial Instruments as set out in IFRS 7 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 7.